

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
April 28, 2021**

The Brine Residential, located at 3016 North Main Street in Los Angeles, requested and is being recommended for a reservation of \$2,320,555 in annual federal tax credits to finance the new construction of 96 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Decro Corporation and will be located in Senate District 24 and Assembly District 45.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

**Project Number** CA-21-530

**Project Name** The Brine Residential  
**Site Address:** 3016 North Main Street  
Los Angeles, CA 90031 County: Los Angeles  
**Census Tract:** 1999.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,320,555	\$0
Recommended:	\$2,320,555	\$0

**Applicant Information**

**Applicant:** Brine Residential, LP  
**Contact:** Laura Vandeweghe  
**Address:** 3431 Wesley Street, Suite F  
Culver City, CA 90232  
**Phone:** 424-603-4568  
**Email:** lvandeweghe@decro.org

**General Partner(s) or Principal Owner(s):** Brine PSH LLC  
Decro Brine Residential, LLC  
Decro Corporation

**General Partner Type:** Nonprofit  
**Parent Company(ies):** Decro  
**Developer:** Decro Corporation  
**Investor/Consultant:** National Equity Fund, INC  
**Management Agent:** FPI Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 97  
 No. / % of Low Income Units: 96 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (49 Units - 51%)

**Bond Information**

Issuer: HCIDLA  
 Expected Date of Issuance: October 25, 2021

**Information**

Housing Type: Special Needs  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Sarah Gullikson

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 49	51%
60% AMI: 47	49%

**Unit Mix**

56 SRO/Studio Units  
 35 1-Bedroom Units  
 5 2-Bedroom Units  
 1 4-Bedroom Units  


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 97 Total Units

<u>Unit Type &amp; Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
28 SRO/Studio	30%	30%	\$591
18 1 Bedroom	30%	30%	\$633
2 2 Bedrooms	30%	30%	\$760
1 4 Bedrooms	30%	30%	\$980
28 SRO/Studio	60%	60%	\$1,183
17 1 Bedroom	60%	60%	\$1,267
2 2 Bedrooms	60%	60%	\$1,521
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$7,707,334
Construction Costs	\$32,088,127
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,222,977
Soft Cost Contingency	\$624,201
Relocation	\$600,000
Architectural/Engineering	\$1,160,311
Const. Interest, Perm. Financing	\$2,022,452
Legal Fees	\$370,000
Reserves	\$1,243,224
Other Costs	\$1,580,471
Developer Fee	\$5,820,791
Commercial Costs	\$0
<b>Total</b>	<b>\$55,439,888</b>

**Residential**

Construction Cost Per Square Foot:	\$447
Per Unit Cost:	\$571,545
True Cash Per Unit Cost*:	\$536,552

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
US Bank Tax Exempt	\$26,072,770	Berkadia	\$11,381,511
HCD - NPLH	\$10,570,000	HCD - NPLH	\$10,570,000
HCIDLA - HHH	\$8,971,278	HCIDLA - HHH	\$10,000,000
Deferred Cost	\$6,289,297	General Partner Equity	\$3,394,380
Tax Credit Equity	\$3,536,543	Tax Credit Equity	\$20,093,997
		<b>TOTAL</b>	<b>\$55,439,888</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$44,626,063
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$58,013,882
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,320,555
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,820,791
Investor/Consultant:	National Equity Fund, INC
Federal Tax Credit Factor:	\$0.86591

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$44,626,063
Actual Eligible Basis:	\$44,626,063
Unadjusted Threshold Basis Limit:	\$34,460,934
Total Adjusted Threshold Basis Limit:	\$82,624,075

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

- Project subject to a project labor agreement or Project will use skilled and trained workforce performing within an apprenticeable occupation.

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, grey water, or rainwater in an amount that annually equals or exceeds 20,000 gallons or 300 gallons per unit, whichever is less.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 102%

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 4.00% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC’s financial evaluation at project completion will determine the final allocation.

**Significant Information / Additional Conditions**

Staff noted a per unit cost of \$536,552. The applicant noted the per unit cost is attributed to higher than typical land acquisition costs, carrying costs, the cost to underground utilities unique to the site, and Davis Bacon prevailing wage.

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

**CDLAC Additional Conditions**

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.